

## USDA Rural Development Single Family Guaranteed Rural Housing Program Streamlined Refinance

Fixed Rate

Primary Residence Full Documentation			
Transaction Type	Units	LTV/CLTV <sup>1</sup>	Credit Score
Streamlined Refinance <sup>2</sup>	1	100%/100%	620

**Footnotes:**

1. Loan being refinanced must be a USDA Guaranteed Rural Housing or USDA Section 502 Direct loans (Direct loans are serviced only by USDA). Conventional, FHA or VA loans **cannot** be refinanced under this program.
2. Minimum loan amount \$60,000

In addition to the USDA Rural Development GRH Streamlined program Homebridge offers the USDA Rural Development Purchase and Non-Streamlined and the USDA Streamlined-Assist Refinance programs. Refer to the applicable matrix for guidelines specific to those USDA programs.

USDA's HB-1-3555 may be viewed at USDA Rural Development [Regulations and Guidance](#). USDA Guaranteed Rural Housing forms may be found at [Reginfo.gov](#).

### USDA Guaranteed Rural Housing (GRH) Streamlined Program Highlights

A Streamlined Refinance is a credit qualifying loan. Borrower must meet all USDA income and credit requirements. Highlights include:

- Income must be  $\leq$  115% of the area median.
- No reserves required
- No appraisal (see [Appraisal](#) topic for exception)
- Gift funds are eligible for closing costs or the upfront guarantee fee.

### Fees

**Upfront Guarantee Fee** (purchase and refinance transactions):

- 1.00% of the total loan amount

**Annual Fee:**

- 0.35% - applicable for the life of the loan



## USDA Program Guidelines Streamlined Refinance

Topic	Guideline
<b>COVID-19 Temporary Flexibility Policies</b>	<ul style="list-style-type: none"> <li>The temporary documentation flexibilities allowed by USDA and Homebridge policy changes due to COVID-19 are being added to the guidelines to incorporate all temporary policy in one place for reference</li> <li>It is important to remember there is <b>no change</b> to USDA's standard underwriting policies to determine borrower qualification and any policy not addressed under COVID-19 temporary policies topic is subject to standard guidance</li> </ul>
<b>COVID-19 Temporary Appraisal Policy</b>	<p>The temporary 1004D policy is effective through <b>June 30, 2021</b></p> <p><b>1004D Completion Report</b></p> <p>A letter from the borrower, confirming completion of repairs, along with evidence documenting completion is acceptable in lieu of an appraisal re-inspection (1004D). Acceptable evidence includes:</p> <ul style="list-style-type: none"> <li>Photos of completed work,</li> <li>Paid receipts,</li> <li>Occupancy permit, or</li> <li>Other substantially similar documentation</li> </ul> <p>The letter and evidence will be retained in the loan file</p>
<b>COVID-19 Temporary Income Policy</b>	<p>The underwriter will perform a reasonability test of the borrower's income to consider the likelihood of continuance since certain industries are far more affected than others (e.g. service industries that rely heavily on tips – restaurant, casing, hair/nail salons, etc. vs. industries deemed "essential" or where telecommuting is a viable option)</p>
<b>COVID-19 Temporary Borrowers in Forbearance Policy</b>	<p>Refer to the <a href="#">Forbearance Plan Policy</a> section in the Mortgage/Rental History topic for requirements that apply when the borrower is in a forbearance plan</p>

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<b>4506-T</b>	<ul style="list-style-type: none"> <li>• Signed 4506-T required prior to loan closing for both personal and business tax returns (if applicable) for all adult (18 years and older) household members (excluding full-time students)</li> <li>• Tax transcripts are processed for the previous 2 years</li> <li>• 4506-T results must be validated against the income documentation prior to requesting the Conditional Commitment</li> <li>• Broker provided processed 4506-T results are eligible when ordered through Fraud Technology (link available on the Homebridge website on the “Broker Resources” page under “Express 4506”)</li> </ul>
<b>Age of Documents</b>	All credit, income and asset documentation must be ≤ 120 days from the Note date.
<b>Appraisal</b>	Not required <b>NOTE:</b> If the loan being refinanced is a USDA Section 502 Direct loan and the borrower received a subsidy a full appraisal will be required to determine the amount of subsidy recapture due.
<b>Assets</b>	<ul style="list-style-type: none"> <li>• Asset verification is required when funds are needed to close</li> <li>• Assets include checking/savings accounts, gift funds, sale proceeds from currently owned property, 401K/retirement accounts, and stocks/bonds and must be documented as follows: <ul style="list-style-type: none"> <li>- 2 months most recent bank statements (dated within 45 days of the initial loan application date). The lesser of the two (2) month average balance or the actual balance, as reported on the most recent statement will be used in the underwriting decision.</li> <li>- Stocks and bonds require the most recent statement monthly or quarterly statement.</li> </ul> </li> <li>• Cash on hand and unsecured funds are ineligible sources for assets.</li> <li>• Retirement funds that allow for immediate withdrawal are eligible at 60% of the vested account balance to allow for withdrawal penalties.</li> <li>• Retirement accounts that restrict withdrawals to retirement, employment separation, etc. cannot be considered for cash reserves.</li> </ul>
<b>Assumptions</b>	Not allowed
<b>AUS</b>	All loans are submitted to the Guaranteed Underwriting System (GUS). “Accept/Eligible”, “Refer” or “Refer with Caution” findings are eligible however “Refer” findings must be downgraded to a manual underwrite.
<b>Available Markets</b>	<ul style="list-style-type: none"> <li>• All 50 states</li> <li>• Guam, Puerto Rico and the Virgin Islands are ineligible.</li> <li>• Properties do not have to be located in an area currently identified as an eligible rural area. If the property was eligible at origination a refinance is allowed even if area not currently defined as rural by USDA Rural Development.</li> </ul>
<b>Borrowers – Adding or Deleting</b>	Borrower(s) may be added or deleted as long as one original borrower remains on the loan.

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<b>CAIVRS/LDP/GSA and Mortgage Fraud</b>	<ul style="list-style-type: none"> <li>• <b><u>CAIVRS</u></b> <ul style="list-style-type: none"> <li>- All borrowers must be checked against the Credit Alert Interactive Voice Response System (CAIVRS) to determine if they have delinquent federal debt. A clear CAIVRS is required.</li> <li>- All federal debt and judgments must be paid in full or otherwise resolved and have supporting documentation.</li> <li>- CAIVERS claims: The borrower must provide official documentation that the delinquency has been paid in full or otherwise resolved prior to loan processing.</li> <li>- Borrowers previously convicted of mortgage fraud are ineligible</li> </ul> </li> <li>• <b><u>LDP / GSA</u></b> <ul style="list-style-type: none"> <li>- All of the following parties to the transaction, as applicable, must be checked against HUD's Limited Denial of Participation list and the General Service Administration's Excluded Parties List System. <ul style="list-style-type: none"> <li>- Borrower(s),</li> <li>- Appraiser (if applicable),</li> <li>- AMC (if applicable),</li> <li>- Broker,</li> <li>- Loan Officer,</li> <li>- Loan Processor,</li> <li>- Underwriter,</li> <li>- Closing Agent, and</li> <li>- Title Company</li> </ul> </li> </ul> </li> <li>• Any transaction where any of the interested parties to the transaction have been convicted of mortgage fraud will require review and approval by Homebridge management.</li> </ul>
<b>Cash Back to Borrower</b>	<p>The borrower cannot receive any cash back from the transaction with the exception of out of pocket money (with supporting documentation) as follows:</p> <ul style="list-style-type: none"> <li>• First year of homeowner's insurance paid</li> <li>• Loan application fees</li> <li>• Inspection fees</li> <li>• Paid repairs</li> </ul> <p>Tax credits, excess loan funds, excess seller concessions, and items paid with credit cards <b>cannot</b> be refunded to the borrower; a principal reduction is required.</p> <p><b>NOTE:</b> Any excess gift funds at closing may be returned to the borrower</p>

## USDA Program Guidelines Streamlined Refinance

<b>Contingent Liabilities</b>	<p>A contingent liability exists when an individual is responsible for payment of a debt if another party, jointly or severally obligated, defaults on the payment.</p> <ul style="list-style-type: none"><li>• <b>Co-Signed Debt</b><ul style="list-style-type: none"><li>- Co-signed debt is <b>not required</b> to be included in the borrower's DTI calculation if all of the following applies:<ul style="list-style-type: none"><li>- The credit report indicates no late payments on the account, and</li><li>- 12 months most recent consecutive cancelled checks are provided documenting the primary party obligated on the debt has been making the payments (the checks cannot be from an account co-owned with the borrower).</li></ul></li><li>NOTE: If the borrower can provide conclusive evidence from the debt holder that there is <b>no</b> possibility, they will pursue debt collection against the borrower should the other party default, the 12 month history is not required</li><li>- Co-signed debt must <b>be included</b> in the borrower's DTI calculation if:<ul style="list-style-type: none"><li>- It cannot be properly documented that the primary party obligated on the loan is making the payments, <b>or</b></li><li>- A 12 month pay history, by the primary party, cannot be established, <b>or</b></li><li>- The credit report indicates there have been late payments on the debt, <b>or</b></li><li>- Another party is making the payments, but the borrower is the only party responsible for the debt.</li></ul></li></ul></li><li>• <b>Business Debt</b><ul style="list-style-type: none"><li>• Exclude business debts listed on personal credit reports if evidence of payment of the most recent 12 months payments have been made by the business. Acceptable evidence includes 12 months cancelled checks or bank statements.</li></ul></li><li>• <b>Previous Mortgage</b><ul style="list-style-type: none"><li>- If the borrower sold, traded or transferred a previous mortgage without the release of liability, the mortgage payment must be included in the DTI calculation unless documentation is provided that the remaining party/new owner has made the payment for the 12 months prior to loan application. Acceptable documentation, as applicable, includes:<ul style="list-style-type: none"><li>- A copy of the divorce decree ordering the spouse to make payments, <b>or</b></li><li>- A copy of the assumption agreement and deed showing transfer of title out of the borrower's name, <b>and</b></li><li>- Evidence the remaining party/new owner has made all payments on time (0x30) for the previous 12 months (credit report or verification from loan servicer)</li></ul></li><li>NOTE: If there are any delinquent payments in the previous 12 months the payment <b>must be</b> included in the DTI calculation.</li></ul></li></ul>
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## USDA Program Guidelines Streamlined Refinance

<b>Credit Exceptions</b>	<p>Credit exceptions may be granted by Homebridge in the following situations:</p> <ul style="list-style-type: none"> <li>• The credit issues were caused by extenuating circumstances that were temporary in nature and beyond the borrower’s control. The circumstance must have been removed/resolved for a minimum of 12 months prior to the loan application. Examples of acceptable temporary extenuating circumstances include a temporary job loss, illness, delay or reduction in benefits, dispute over payment for defective goods or services, etc.</li> </ul> <p>NOTE: The inability to sell the property due to a job transfer or relocation or a divorce are <b>not</b> considered an extenuating circumstance. However, a borrower whose loan was current at the time of a divorce in which the ex-spouse received the property and the loan was later foreclosed may qualify for an exception.</p> <ul style="list-style-type: none"> <li>• The new loan will significantly reduce the borrower’s housing expenses (50% or greater) resulting in improved debt repayment ability.</li> </ul> <p>The underwriter will review the borrower’s overall credit and must thoroughly document reason for exception. The following applies to credit exceptions:</p> <ul style="list-style-type: none"> <li>• The borrower must provide written, detailed explanation as to the nature of the credit issue, its causes and indicate it is not likely to happen again.</li> <li>• The borrower must provide all documentation that supports the circumstances that caused the credit issue.</li> <li>• All supporting documentation used to grant the exception must be included in the loan file.</li> </ul> <p>A credit exception <b>cannot</b> be granted when the borrower is delinquent on a federal debt</p>
<b>Credit History</b>	<p>The borrower’s credit history must indicate the borrower has a reasonable ability and willingness to pay their obligations.</p> <ul style="list-style-type: none"> <li>• Any of the following are indicators of an unacceptable credit history per Rural Development: <ul style="list-style-type: none"> <li>- More than one 30 day late within the past 12 months (including more than one late payment on a single account)</li> <li>- Bankruptcy or foreclosure that occurred within the past 3 years</li> <li>- Outstanding tax liens or delinquent government debt with no satisfactory arrangements for payments, regardless of age if they are currently delinquent or due and payable.</li> <li>- Outstanding judgments within the past 12 months.</li> <li>- Two or more rent payments 30 days or more late within the past 3 years.</li> <li>- Any account converted to a collection account in the past 12 months (utility bills, medical bills, etc.)</li> <li>- Outstanding collections accounts with no satisfactory arrangements for payments, regardless of age if they are currently delinquent or due and payable.</li> <li>- Any debt written off within the last 3 years (charge-offs)</li> </ul> </li> <li>• Borrowers with a foreclosure on a previous Rural Development loan are ineligible.</li> </ul>

## USDA Program Guidelines Streamlined Refinance

<b>Credit Report/Scores</b>	<ul style="list-style-type: none"> <li>• A minimum credit score of 620 is required, no exceptions. The underwriter is required to validate the credit score for manually underwritten loans or GUS loans that receive a “Refer” or “Refer with Caution” finding; A GUS “Accept” finding does <b>not</b> require validation of the credit score</li> <li>• A loan that received an “Accept” finding from GUS must be downgraded to a manual underwrite when any of the following apply:             <ul style="list-style-type: none"> <li>- Disputed accounts that do not meet the requirements under the “Disputed Accounts” topic</li> <li>- An authorized user account that does not meet the requirements under the “Authorized User” topic</li> <li>- Derogatory or contradictory information that is not considered in the GUS findings or it determined there was erroneous information submitted to GUS</li> </ul> </li> <li>• A tri-merged credit report is required for all borrowers.</li> <li>• The primary borrower (the borrower with the highest income) must meet the minimum credit score requirement.</li> <li>• <b>Validating the Credit Score (Manual Underwrite or GUS loans with a “Refer” or “Refer with Caution” ONLY):</b> The credit score is considered valid when the following is documented             <ul style="list-style-type: none"> <li>- At least one borrower, whose income and assets were used for loan qualification, must have a minimum of two (2) tradelines that have a 12 month history. The tradelines can be open, closed, disputed, or paid in full</li> </ul> </li> <li>• The representative credit score is determined as follows for loans run through GUS and manual underwrites:             <ul style="list-style-type: none"> <li>- If there are three (3) valid scores, the middle score is used. If two of the three scores are a duplicate, the duplicate score is used.</li> <li>- If there are two (2) valid scores, the lower of the two is used</li> <li>- If there is one (1) valid score, that score is used (<b>excludes</b> manual underwrite; manual underwrite will require a non-traditional credit profile be developed if the borrower only as one credit score. Refer to the <a href="#">Non-Traditional Credit</a> topic for details)</li> </ul> </li> <li>• When the borrower lives in a community property state and there is a non-purchasing spouse a full credit report must be obtained for the non-purchasing spouse and their debts must be included in the borrower’s debt ratio (except as excluded by applicable state law) (See Louisiana Non-Borrowing/Non-Purchasing Spouse topic below for exception)             <p><b>Community property states include:</b> Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin.</p> </li> <li>• <b>Louisiana Non-Borrowing/Non-Purchasing Spouse:</b> The debts of the non-borrowing/ non-purchasing spouse may be excluded subject to the following:             <ul style="list-style-type: none"> <li>- An Intervention Affidavit, signed by the non-borrowing/purchasing spouse, is required. The Affidavit must be notarized and recorded with the mortgage, <b>and</b></li> <li>- The title company <b>and</b> the settlement agent must agree to allow the Affidavit</li> </ul> </li> <li>• The borrower(s) must address <b>all</b> credit inquiries and/or undisclosed debt indicated on the credit report within the previous 90 days and indicate the reason for and result of the inquiry (i.e. was new credit obtained or not). Any new debt not reflected on the credit report in GUS must be manually entered (downgrade to manual underwrite <b>not</b> required) so it is included in the debt ratio and considered in the final recommendation issued by GUS             <p><b>NOTE:</b> New debt (debt not included on the initial credit report) must be included on a new credit report and the loan must be re-submitted to GUS; a credit supplement is <b>not</b> acceptable.</p> </li> <li>• Any loan related charges (application fee/closing costs/appraisal) paid for by the borrower with a credit card that is not reflected on the credit report must be added to the card balance shown on the credit report and included in the debt ratio calculations.</li> </ul>
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## USDA Program Guidelines Streamlined Refinance

**Credit Report/Scores**  
(cont.)

**Authorized User Accounts**

- Authorized user tradelines require underwriter review to ensure the trade lines are an accurate reflection of the borrower’s credit history for both loans through GUS and manual underwrites. Closed or terminated authorized user accounts are not considered. When there is an open account(s) evidence and the loan is run through GUS of one of the following is required:
  - The tradeline belongs to another borrower on the loan application, **or**
  - The owner of the tradeline is the spouse of one of the borrowers, **or**
  - The borrower has been making the payments on the tradeline for the past 12 months, **or**,
  - The borrower has two or more other tradelines identified on the credit report, which are not authorized user accounts, with a minimum 12 months payment history

If none of the above can be documented the loan would require a downgrade to manual underwrite.

**Disputed Accounts – Non-Derogatory**

- **GUS “Accept” Findings:** GUS “Accept” findings are eligible subject to the following:
  - The account(s) has a zero balance,
  - The account(s) state “paid in full” or “resolved”,
  - The account(s) is more than 24 months old,
  - The account(s) is current and paid as agreed,
  - The payment, as stated on the credit report or, if a payment is not included on the credit report, 5% of the outstanding balance or a payment provided by the creditor is included in the borrower’s DTI

**If any of the above do not apply, the loan must be downgraded to a manual underwrite**

- **Manual Underwrite:** The following applies:
  - The borrower is required to provide a letter of explanation and provide supporting documentation for all disputed accounts with outstanding balances/payments. Each account must include a minimum monthly payment using:
    - The payment on the credit report, or
    - 5% of the outstanding balance, or
    - A lesser amount if documented by the creditor
  - Homebridge must determine the impact of the disputed account on the borrower’s ability to make the loan payment including the impact to the DTI

**Disputed Accounts - Derogatory**

- Non-medical collection accounts and accounts with late payments within the previous 24 months must be considered.
- Disputed medical accounts/collections, charged off accounts, disputed accounts that are the result of identity theft, credit card theft, etc. that are documented with a police report, creditor statement or attorney letter, and accounts from a non-purchasing spouse in a community property state **may be excluded**.
- **GUS “Accept” Findings:** GUS “Accept” findings are eligible subject to:
  - The cumulative total of the disputed derogatory account(s) is < \$2,000. Each account must include a minimum monthly payment using:
    - The payment on the credit report, or
    - 5% of the outstanding balance or
    - A lesser amount if documented from the creditor
  - Homebridge must determine the impact of the disputed account on the borrower’s ability to make the loan payment including the impact to the DTI
  - The loan must be downgraded to a manual underwrite if the cumulative derogatory disputed account balances is ≥ \$2,000 in the previous 24 months

(cont. on next page)



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<p><b>Credit Report/Scores</b> (cont.)</p>	<ul style="list-style-type: none"> <li>• <b>Manual Underwrite</b> <ul style="list-style-type: none"> <li>- Each account must include a minimum monthly payment using:                             <ul style="list-style-type: none"> <li>- The payment on the credit report, or</li> <li>- 5% of the outstanding balance or</li> <li>- A lesser amount if documented from the creditor will be used.</li> </ul> </li> <li>- Homebridge underwriter must determine the impact of the disputed account on the borrower's ability to make the loan payment including the impact to the DTI</li> </ul> </li> </ul>
<p><b>Derogatory Credit</b> <b>GUS "Accept" Finding</b></p> <p>(See also "Derogatory Credit – Manual Underwrite" topic if applicable)</p>	<p><b>Chapter 7 Bankruptcy</b> Eligibility determined by GUS "Accept" findings. No additional documentation required with "Accept" finding.</p> <p><b>Chapter 13 Bankruptcy – In Repayment</b> Borrower must have 12 months history with paid as agreed and permission from the bankruptcy court is required. The payment must be included in the borrower's DTI calculation.</p> <p><b>Chapter 13 Bankruptcy Discharged</b> Eligibility determined by GUS "Accept" findings. No additional documentation required with "Accept" finding.</p> <p><b>Foreclosure/Deed-in-Lieu</b></p> <ul style="list-style-type: none"> <li>• A foreclosure must be dismissed a minimum of 36 months from the application date.</li> <li>• If the foreclosure/deed-in-lieu was due to extenuating circumstance an exception may be granted. Refer to the <a href="#">Credit Exceptions</a> topic for details</li> <li>• Borrowers with a previous foreclosure on a Rural Development loan are <b>ineligible</b></li> </ul> <p><b>Short Sale</b> Borrowers who pursued a short sale agreement on their primary residence to take advantage of declining market conditions and purchased a similar or superior property within a reasonable commuting distance at a reduced price are <b>ineligible</b>.</p> <ul style="list-style-type: none"> <li>• <b>Borrower Current at Time of Short Sale</b> <ul style="list-style-type: none"> <li>- The borrower is eligible if the mortgage payments paid on the prior mortgage were made within the month due for the 12 months preceding the short sale, and</li> <li>- Installment debt payments for the same time period were also made with the month due</li> </ul> <p style="margin-left: 40px;">NOTE: The above also applies in cases of divorce and the borrower was current at time of divorce</p> </li> <li>• <b>Borrower in Default at Time of Short Sale</b> <ul style="list-style-type: none"> <li>- Ineligible for a new loan until a minimum of 36 months from the date of the sale to application date</li> <li>- Exceptions may be granted on a case-by-case basis subject to the requirements detailed in the <a href="#">Credit Exceptions</a> topic.</li> </ul> </li> </ul> <p><b>Delinquent Child Support</b> Delinquent child support must be paid current or in a payment plan. On a case-by-case basis this requirement may be waived subject to underwriter review.</p> <p><b>Consumer Credit Counseling</b></p> <ul style="list-style-type: none"> <li>• One year of payout under the plan has elapsed</li> <li>• All payments have been made on time. The payment must be included in the borrower's DTI calculation.</li> <li>• The Counseling Agency has provided written permission for the borrower to enter into a mortgage transaction</li> <li>• If an "Accept" Finding is received from GUS, no explanation or additional documentation is required from the borrower.</li> </ul>

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<p><b>Derogatory Credit - GUS "Accept" Finding (cont.)</b></p>	<p><b>Charge-Off Accounts</b></p> <ul style="list-style-type: none"> <li>• Charge-off accounts are not required to be included in the debt ratios unless the borrower has entered into a repayment plan with the creditor.</li> <li>• Payments made to a repayment plan must be included in the DTI.</li> <li>• Eligibility determined by GUS; no additional documentation required</li> </ul> <p><b>Collections</b></p> <ul style="list-style-type: none"> <li>• Collection accounts require satisfactory arrangements for payment.</li> <li>• All open accounts require the payment to be included on the Asset and Liabilities page.</li> <li>• Collection accounts of the non-purchasing spouse must be included in the cumulative total in community property states unless excluded by applicable state law. NOTE: Medical collections and <b>any</b> charge-off accounts (not just medical) may be excluded in the cumulative account totals</li> <li>• <b>Collection Accounts Cumulative Balance ≥ \$2,000</b> <ul style="list-style-type: none"> <li>- Requires payment in full prior to or at closing, <b>or</b></li> <li>- Verification of payment arrangement with creditor(s) and include monthly payment amount in DTI ratios, <b>or</b></li> <li>- Use 5% of each collection account balance in the debt ratio.</li> </ul> </li> <li>• <b>Collection Accounts Cumulative &lt; \$2,000</b> <ul style="list-style-type: none"> <li>- Payment in full is at underwriter discretion.</li> <li>- Accounts converted to collections within the previous 12 months indicate unacceptable credit risk.</li> </ul> </li> </ul> <p><b>Delinquent Federal Non-Tax Debt</b></p> <ul style="list-style-type: none"> <li>• Borrowers with unresolved delinquent federal non-tax debt(s) are <b>ineligible</b></li> <li>• Borrowers with a previous USDA Single Family Guaranteed Housing Loan which resulted in foreclosure or a loss to USDA are ineligible</li> </ul> <p><b>Delinquent Federal Tax Debt</b></p> <ul style="list-style-type: none"> <li>• Borrowers with delinquent federal tax debt are <b>ineligible</b></li> <li>• Borrowers with a tax lien(s) may be eligible if: <ul style="list-style-type: none"> <li>- The borrower has entered into a valid repayment agreement with the federal agency owed to make regular payments. A copy of the repayment agreement is required</li> <li>- The borrower must have made a minimum of three (3) scheduled payments on time. Documentation of payments is required. NOTE: The borrower cannot prepay the scheduled payments in order to meet the required minimum three (3) months payment history.</li> <li>- The payment must be included in the borrower's DTI calculation</li> </ul> </li> </ul> <p><b>Judgments</b></p> <ul style="list-style-type: none"> <li>• <b>Federal Judgments – Non-Tax Debt</b> <ul style="list-style-type: none"> <li>- Requires payment in full, <b>no exceptions</b>. Documentation of sufficient funds to satisfy the obligation(s) is required.</li> </ul> </li> <li>• <b>Federal Judgments – Tax Debt</b> <ul style="list-style-type: none"> <li>- Borrowers with IRS tax debt are ineligible <b>unless</b> currently in a payment plan. The following applies if the borrower is in a payment plan: <ul style="list-style-type: none"> <li>- Documentation of the payment agreement with the IRS is required</li> <li>- The borrower must have made a minimum of 3 months of on-time payments prior to the loan application as evidenced by cancelled checks or bank statement. NOTE: The borrower cannot prepay the payments to meet the 3 month payment requirement.</li> <li>- The payment must be included in the DTI calculation</li> </ul> </li> </ul> </li> </ul>
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**USDA Program Guidelines**  
**Streamlined Refinance**

<p><b>Derogatory Credit - GUS "Accept" Finding (cont.)</b></p>	<ul style="list-style-type: none"> <li>• <b>Non-federal Judgments:</b> <ul style="list-style-type: none"> <li>- Non-federal open judgments <b>must</b> be paid off at or before loan closing <b>OR</b> the borrower must currently be in a payment plan</li> <li>- Borrower's in a payment plan are eligible subject to the following: <ul style="list-style-type: none"> <li>- A copy of the payment agreement is required</li> <li>- A minimum of 3 months of on-time payments have been made prior to the loan application as evidenced by cancelled checks or bank statement.</li> </ul> <p>NOTE: The borrower cannot prepay the payments to meet the 3 month payment requirement</p> <ul style="list-style-type: none"> <li>- The payment must be included in the DTI calculation</li> </ul> </li> <li>- Payment in full is required if a minimum of 3 months of payments cannot be documented.</li> <li>- Non-federal judgment accounts, in an established repayment plan with a history of consistent repayment, with 10 months or less remaining payments, the payment may be excluded from the DTI, at underwriter discretion, if <b>the debt does not have significant impact on the borrower's repayment ability</b></li> </ul> </li> </ul>
<p><b>Derogatory Credit – Manual Underwrite</b></p>	<p><b>Chapter 7 Bankruptcy</b></p> <ul style="list-style-type: none"> <li>• Discharged ≥ 3 years eligible if the borrower has re-established good credit or chosen not to incur new credit obligations</li> <li>• Discharged &lt; 3 years but &gt; 1 year may be considered if the bankruptcy was due to extenuating circumstances beyond the borrower's control and documentation is provided that the circumstances leading to the bankruptcy are not likely to recur; refer to the <a href="#">Credit Exceptions</a> topic for details</li> <li>• Discharged &lt; 1 year <b>ineligible</b></li> </ul> <p><b>Chapter 13 Bankruptcy Discharged</b></p> <ul style="list-style-type: none"> <li>• Plan completed and borrower has demonstrated a willingness to meet obligations for the 12 months prior to loan application, no additional requirements.</li> </ul> <p><b>Chapter 13 Bankruptcy – In Repayment</b> Borrower currently in repayment.</p> <ul style="list-style-type: none"> <li>• Borrower has completed 1 year of the payout period, <b>and</b></li> <li>• Borrower has made all required payment on time, <b>and</b></li> <li>• The borrower has received written permission from the bankruptcy court to enter into a mortgage transaction, <b>and</b></li> <li>• The transaction meets one of the exceptions detailed in the <a href="#">Credit Exceptions</a> topic</li> </ul> <p>NOTE: Repayment plans completed &gt; 12 months do not require a credit exception</p> <p><b>Foreclosure/Pre-foreclosure/Short Sale</b></p> <ul style="list-style-type: none"> <li>• A foreclosure must be dismissed a minimum of 36 months from the application date.</li> <li>• If the foreclosure/deed-in-lieu was due to extenuating circumstance an exception may be granted. Refer to the <a href="#">Credit Exceptions</a> topic for requirements</li> <li>• Borrowers with a previous foreclosure on a Rural Development loan are <b>ineligible</b></li> </ul> <p><b>Short Sale</b> Borrowers who pursued a short sale agreement on their primary residence to take advantage of declining market conditions and purchased a similar or superior property within a reasonable commuting distance at a reduced price are <b>ineligible</b>.</p> <ul style="list-style-type: none"> <li>• <b>Borrower Current at Time of Short Sale</b> <ul style="list-style-type: none"> <li>- The borrower is eligible if the mortgage payments paid on the prior mortgage were made within the month due for the 12 months preceding the short sale, and</li> <li>- Installment debt payments for the same time period were also made with the month due</li> </ul> <p>NOTE: The above also applies in cases of divorce and the borrower was current at time of divorce</p> </li> </ul> <p>(cont. on next page)</p>

## USDA Program Guidelines Streamlined Refinance

<p><b>Derogatory Credit – Manual Underwrite (cont.)</b></p>	<p><b>Short Sale (cont.)</b></p> <ul style="list-style-type: none"> <li>• <b>Borrower in Default at Time of Short Sale</b> <ul style="list-style-type: none"> <li>- Ineligible for a new loan until a minimum of 36 months from the date of the sale to application date</li> <li>- Exceptions may be granted on a case-by-case basis subject to the requirements detailed in the <a href="#">Credit Exceptions</a> topic</li> </ul> </li> </ul> <p><b>Delinquent Child Support</b> Delinquent child support must be paid current or in a payment plan. On a case-by-case basis this requirement may be waived subject to underwriter review.</p> <p><b>Consumer Credit Counseling</b></p> <ul style="list-style-type: none"> <li>• One year of payout under the plan has elapsed</li> <li>• All payments have been made on time. The payment must be included in the borrower's DTI calculation.</li> <li>• The Counseling Agency has provided written permission for the borrower to enter into a mortgage transaction</li> <li>• The transaction meets one of the exceptions detailed in the <a href="#">Credit Exceptions</a> topic</li> </ul> <p><b>Charge-Off Accounts</b> The underwriter must document the reason for approving the loan when charge-off accounts are present.</p> <ul style="list-style-type: none"> <li>• Charge-off accounts are not required to be included in the debt ratios unless the borrower has entered into a repayment plan with the creditor</li> <li>• Payments made to a repayment plan must be included in the DTI</li> </ul> <p><b>Collections</b></p> <ul style="list-style-type: none"> <li>• Collection accounts require satisfactory arrangements for payment. All open accounts require the payment to be included on the Asset and Liabilities page.</li> <li>• Collection accounts of the non-purchasing spouse must be included in the cumulative total in community property states unless excluded by applicable state law.</li> <li>• A letter of explanation and documentation supporting the explanation is required for each collection account and the underwrite must document the reasons for approving the loan when the borrower has collection accounts. NOTE: Medical collections and <b>any</b> charge-off accounts (not just medical) may be excluded in the cumulative account totals</li> </ul> <ul style="list-style-type: none"> <li>• <b>Collection Accounts Cumulative Balance ≥ \$2,000</b> <ul style="list-style-type: none"> <li>- Requires payment in full prior to or at closing, <b>or</b></li> <li>- Verification of payment arrangement with creditor(s) and include monthly payment amount in DTI ratios, <b>or</b></li> <li>- Use 5% of each collection account balance in the debt ratio.</li> </ul> </li> <li>• <b>Collection Accounts Cumulative &lt; \$2,000</b> <ul style="list-style-type: none"> <li>- Payment in full is at underwriter discretion.</li> <li>- Accounts converted to collections within the previous 12 months indicate unacceptable credit risk.</li> </ul> </li> </ul> <p><b>Delinquent Federal Non-Tax Debt</b></p> <ul style="list-style-type: none"> <li>• Borrowers with unresolved delinquent federal non-tax debt(s) are <b>ineligible</b></li> <li>• Borrowers with a previous USDA Single Family Guaranteed Housing Loan which resulted in foreclosure or a loss to USDA are ineligible</li> </ul>
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**USDA Program Guidelines**  
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<p><b>Derogatory Credit – Manual Underwrite (cont.)</b></p>	<p><b>Delinquent Federal Tax Debt</b></p> <ul style="list-style-type: none"> <li>Borrowers with delinquent federal tax debt are <b>ineligible</b></li> <li>Borrowers with a tax lien(s) may be eligible if: <ul style="list-style-type: none"> <li>The borrower has entered into a valid repayment agreement with the federal agency owed to make regular payments. A copy of the repayment agreement is required</li> <li>The borrower must have made a minimum of three (3) scheduled payments on time. Documentation of payments is required.</li> </ul> <p>NOTE: The borrower cannot prepay the scheduled payments in order to meet the required minimum three (3) months payment history.</p> <ul style="list-style-type: none"> <li>The payment must be included in the borrower’s DTI calculation</li> </ul> </li> </ul> <p><b>Judgments</b></p> <ul style="list-style-type: none"> <li><b>Federal Judgments – Non-Tax Debt</b> <ul style="list-style-type: none"> <li>Requires payment in full, <b>no exceptions</b>. Documentation of sufficient funds to satisfy the obligation(s) is required.</li> </ul> </li> <li><b>Federal Judgments – Tax Debt</b> <ul style="list-style-type: none"> <li>Borrowers with IRS tax debt are ineligible <b>unless</b> currently in a payment plan. The following applies if the borrower is in a payment plan: <ul style="list-style-type: none"> <li>Documentation of the payment agreement with the IRS is required</li> <li>The borrower must have made a minimum of 3 months of on-time payments prior to the loan application as evidenced by cancelled checks or bank statement.</li> </ul> <p>NOTE: The borrower cannot prepay the payments to meet the 3 month payment requirement.</p> <ul style="list-style-type: none"> <li>The payment must be included in the DTI calculation</li> </ul> </li> </ul> </li> <li><b>Non-federal Judgments:</b> <ul style="list-style-type: none"> <li>Non-federal open judgments <b>must</b> be paid off at or before loan closing <b>OR</b> the borrower must currently be in a payment plan</li> <li>Borrower’s in a payment plan are eligible subject to the following: <ul style="list-style-type: none"> <li>A copy of the payment agreement is required</li> <li>A minimum of 3 months of on-time payments have been made prior to the loan application as evidenced by cancelled checks or bank statement.</li> </ul> <p>NOTE: The borrower cannot prepay the payments to meet the 3 month payment requirement</p> <ul style="list-style-type: none"> <li>The payment must be included in the DTI calculation</li> <li>Payment in full is required if a minimum of 3 months of payments cannot be documented.</li> <li>Non-federal judgment accounts, in an established repayment plan with a history of consistent repayment, with 10 months or less remaining payments, the payment may be excluded from the DTI, at underwriter discretion, if <b>the debt does not have significant impact on the borrower’s repayment ability</b></li> </ul> </li> </ul> </li> </ul>
<p><b>DTI</b></p>	<ul style="list-style-type: none"> <li>Maximum 45% with <b>GUS “Accept”</b>. Homebridge may grant an exception to DTI exceeding 45% on a case-by-case basis.</li> <li>Maximum 29%/41% with manual underwrite</li> <li>All debts with 10 months or more payments remaining <b>must be included</b> to ensure accurate debt ratio.</li> </ul> <p>NOTE: At underwriter discretion, debts with &lt; 10 months remaining may also be included in the DTI calculation if the underwriter determines the debt has a significant impact on the borrower’s repayment ability. Federal tax lien must be included regardless of the number of payments remaining.</p> <ul style="list-style-type: none"> <li>Non-purchasing spouse debts must be included in the borrower’s debt ratio.</li> </ul>

## USDA Program Guidelines Streamlined Refinance

<b>Employment</b>	<p>A two year employment history is required.</p> <p><b>NOTE:</b> If the borrower has any gaps in employment that are &gt; 30 days, a letter of explanation from the borrower will be required.</p> <p><b>Wage Earners</b></p> <ul style="list-style-type: none"> <li>• A verbal verification of employment (VVOE) is required within 10 calendar days of the Note date for salaried borrowers and 30 days for self-employed borrowers.</li> </ul> <p><b>Self-employed Borrowers</b></p> <ul style="list-style-type: none"> <li>• Self-employed borrowers are individuals who have 25% or greater ownership interest in a business. <ul style="list-style-type: none"> <li>- Self-employed borrower's business requires verification of the business by a third party source (e.g. CPA, or Federal Tax ID Certificate, <b>or</b> Business License).</li> <li>- A self-employed borrower with 1-2 year self-employment history <b>may</b> be eligible subject to the following: <ul style="list-style-type: none"> <li>- Borrower has 2 years documented previous successful employment in the line of work in which they are self-employed or it is a related occupation, NOTE: &lt; 2 year of income from self-employment is not considered effective income</li> <li>- Annual earnings that are stable or increasing are acceptable, while businesses that show a significant decline in income over the analysis period are not acceptable, even if the current income and debt ratios meet FHA guidelines.</li> <li>- Income must not be declining more than 10% per year. If income declining more than 10% the lowest income must be used to qualify.</li> <li>- Any sharp increases or decreases (defined as ≥ 20% variance from income earned over previous 12 month) in self-employment income, requires additional documentation to support the circumstances of the increase/decrease. The underwriter must provide an explanation in the loan file for the use or non-use of the income</li> <li>- Depreciation and/or depletion may be added back</li> <li>- The annual income calculation for a business with a loss is zero.</li> <li>- Negative income (loss) for a business is deducted from repayment income prior to calculating the DTI; it is not counted as recurring debt</li> <li>- Signed and dated individual tax returns, with all applicable tax schedules, for the most recent two years are required.</li> <li>- Corporations, S-Corporation or partnership are required to provide signed copies of Federal Business income tax returns for the last 2 years with all applicable tax schedules.</li> </ul> </li> </ul> </li> </ul> <p><b>Employed by Family Business</b></p> <ul style="list-style-type: none"> <li>• In addition to normal employment verification, a borrower employed by a family owned business is required to provide evidence that they are not the owner of the business. Acceptable evidence includes; <ul style="list-style-type: none"> <li>- Copies of signed personal tax returns, or</li> <li>- Signed copies of the corporate tax returns showing ownership percentage.</li> </ul> </li> </ul>
<b>Escrow/Impound Account</b>	Required on all loans, no exceptions.

## USDA Program Guidelines Streamlined Refinance

### Gift Funds

- Gift funds are eligible for closing costs or may be applied to guarantee fee. There must be no expected or implied repayment requirement of the gift funds.
  - Gift funds may **not** be used for:
    - Cash reserves as a compensating factor
  - Any excess gift funds at closing may be returned to the borrower.
  - A gift is acceptable if the donor is:
    - A person not living in the household, or
    - An eligible organization.
  - A gift letter is required which includes the following:
    - The dollar amount of the gift,
    - Signature of the donor and the borrower,
    - The date the funds were transferred,
    - The donor(s) name, address, phone number, and relationship to the borrower, and
    - A statement by the donor that no repayment of the gift funds is expected.
  - The gift fund donor cannot be affiliated with the broker or any other interested party to the transaction. Gift funds from household members are **eligible**.
  - Regardless of when gift funds are made available to the borrower, it must be determined that the gift funds were not provided by an unacceptable source and that the gift funds were the donor's own funds.
  - Gift fund availability and transfer of the funds must be documented. Verification of transfer of funds must be documented as noted below:
    - If the gift funds are provided prior to close:
      - A copy of the cancelled check (front and back) and conclusive evidence the funds were withdrawn from the donor's account (e.g. copy of the donor's bank statement showing the withdrawal, withdrawal receipt, etc.), **and**
      - Proof of deposit into the borrower's account (e.g. bank statement, deposit receipt, etc.)
    - Gift funds provided at closing:
      - Must be received at least one day prior to closing to allow for underwriter review; gift funds the day of closing are not allowed.
      - A copy of donor's check, certified/cashier's check/money order provided to the closing agent is required, or
      - If funds provided via wire, a copy of the wire transfer confirmation,
      - Documentation the funds were withdrawn from the donor's personal account (withdrawal document, cancelled check, bank statement, etc.)
      - Gift must be reflected on Closing Disclosure.
- NOTE. When a bank statement is used to document funds, the donor **may** be required to document large deposits to ensure the funds did not come from an interested third party.
- Gift funds are eligible from any acceptable source provided the borrowers are not obligors to any Note to secure the money borrowed for the gift.



## USDA Program Guidelines Streamlined Refinance

<b>Income</b>	<p>The borrower's adjusted household income cannot exceed the limit set by Rural Development for the state/county where the property is located. To view the GRH income limits by state click here: <a href="#">Rural Development Single Family Housing Guaranteed Loan Income Limits</a></p> <p>To determine income eligibility, complete the Homebridge USDA Rural Development Borrower Questionnaire and Income Eligibility Worksheet and enter the information on the <a href="#">Rural Development Income Eligibility</a> website.</p> <p>NOTE: The Rural Development system will indicate eligible/ineligible for both the Guaranteed Rural Housing Loan Program <b>and</b> the Direct Rural Housing Loan Program. Homebridge <b>only</b> offers the <b>Guaranteed Rural Housing</b> program. A screen shot of the Income Eligibility Determination Summary is required.</p> <p>Rural Development has three separate income calculations that are required.</p> <p><b>Annual Income</b> – The total income and assets of <b>all</b> adult household members, <b>including borrower(s) and non-applicants 18 years old and older.</b></p> <ul style="list-style-type: none"> <li>• The gross amount (prior to any payroll deductions) of wages, salaries, overtime pay, commissions, fees, tips, bonuses, housing allowances, and any other compensation for personal services of all adult members of the household must be included. This is <b>projected</b> income for the upcoming 12 months, not an average of previous years' income.</li> <li>• If a cost of living allowance or a proposed increase in income is estimated to occur on or before loan approval it must be included in the annual income calculation when determining household eligibility.</li> <li>• All regular and special pay and allowances for a member of the armed forces, (excludes pay received for exposure to hostile fire) who is the borrower or spouse is included whether or not the family member lives in the home.</li> <li>• The income of a borrower's spouse is included, unless the spouse has been living apart from the borrower for a minimum of three (3) months (other than military or work assignment) or court proceedings for divorce/legal separation have begun.</li> <li>• Annual income also includes any interest, dividend, social security, unemployment, disability, retirement fund, pension, public assistance income, rental income, or alimony/child support (unless payments are not received and a reasonable effort has been made to collect).</li> <li>• Full time students, who are temporarily absent from the home but who will reside at the property at any time during the coming year and the property is listed as the student's permanent address, only the first \$480 of their income is considered.</li> <li>• The net income from the operation of a farm, business or profession is included subject to the following:             <ul style="list-style-type: none"> <li>- Expenditures for business/farm expansion, capital improvements, or payments of principal on capital indebtedness are not used in determining income. A deduction is allowed, subject to IRS regulations, for interest paid in amortizing capital indebtedness only.</li> <li>- Farm and non-farm business losses are considered "0" in determining annual income; losses cannot be used to offset other family income.</li> <li>- A deduction, based on straight line depreciations is allowed subject to IRS regulations. The deduction must be based on an itemized schedule showing the amount of straight-line depreciation.</li> <li>- Any withdrawal of cash or assets from the operation of a farm, business or profession or salaries or other amounts distributed to family members from the farm, business or profession, is included in the annual income unless the withdrawal was for the reimbursement of cash or assets invested in the operation by a member of the household.</li> </ul> </li> </ul>
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## USDA Program Guidelines Streamlined Refinance

<b>Income (cont.)</b>	<p><b>Annual Income (cont.)</b></p> <ul style="list-style-type: none"> <li>• Income must be calculated on any net family assets in excess of \$5,000. Net family assets include the value of equity in real property, savings, IRAs, market value of stocks, bonds and other forms of capital investments. The greater of the actual income derived from all net family assets, or a percentage of value of assets based on the current passbook savings rate is used</li> <li>• Any income received from distribution from a trust fund</li> <li>• The withdrawal of cash or assets from an investment (unless withdrawal is reimbursement of cash or assets invested by the household member)</li> <li>• Social security and disability income require a 3 year continuance documented with an award letter. Unless the documentation specifically state the benefits will expire, it is assumed they will continue.</li> <li>• Alimony and child support income must continue for 3 years and have a minimum 12 month history documented with bank statements.</li> <li>• If an adult member of the household is currently unemployed but there is recent history of employment that person's income must be considered unless the borrower and the adult unemployed person sign a statement that the person is not presently employed and does not intend to become employed again in the foreseeable future.</li> <li>• Unreimbursed employee business expenses (e.g. lodging, meals, fuel, etc.) are deducted from annual income and repayment income calculations.</li> <li>• Housing related expenses for the subject property (i.e. mortgage interest, real estate taxes, and insurance) which may be claimed as a business expense deduction for home-based business operations (e.g. child care, etc.) may not be deducted from the annual income calculation.</li> <li>• The following are <b>ineligible</b> for annual income calculations:             <ul style="list-style-type: none"> <li>- Earned income tax credits,</li> <li>- Earned income of a minor,</li> <li>- Adoption assistance in excess of \$480 per adopted child,</li> <li>- Earnings of full time students, ≥ 18 years that is &gt; \$480 (unless spouse or head of household),</li> <li>- Employer provided fringe benefit packages unless reported as taxable income</li> <li>- Payment received for foster children or adults</li> <li>- Supplemental Nutrition Assistance program (SNAP) payments</li> <li>- Lump sum payments (e.g. inheritances, capital gains, settlements, social security benefits received in a lump sum, etc.)</li> <li>- Monies received for reimbursement of medical costs,</li> <li>- Income received by live-in aides,</li> <li>- Refunds/rebates for property taxes paid on the property,</li> <li>- The amount of any student financial aid received by any household member,</li> <li>- Income that is received as a "special-purpose payment" (payments provided to defray specific expenses of an unusual nature which would be discontinued if the specific purpose was discontinued)</li> <li>- Temporary, nonrecurring or sporadic income,</li> <li>- Gifts</li> <li>- The amount of Section 8 housing vouchers</li> <li>- Payments received on a reverse mortgage (considered a drawdown on borrower assets)</li> <li>- Any monies received from participation in programs under the Workforce Investment Act of 1998</li> <li>- Compensation received through the Victims of Crime Act</li> <li>- Reparation payments received from a foreign government arising out of the Holocaust</li> </ul> </li> </ul>
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## USDA Program Guidelines Streamlined Refinance

<b>Income (cont.)</b>	<p><b>Adjusted Income</b> – The household’s annual income (as described above) minus eligible deductions equals the adjusted income. The adjusted income determines GRH program eligibility.</p> <ul style="list-style-type: none"> <li>• Eligible deductions include: <ul style="list-style-type: none"> <li>- Dependents - \$480 per person</li> <li>- Elderly (head of household or spouse is 62 years of age and older and a borrower on the loan ) - \$400 (one time deduction; not per person)</li> <li>- Disability expenses (Unreimbursed expenses in excess of 3% of annual income)</li> <li>- Medical expenses exceeding 3% of gross annual for elderly households only</li> <li>- Child care expenses for children 12 years old and under, and</li> <li>- Attendant care expenses for disabled members.</li> </ul> </li> </ul> <p><b>Repayment Income</b></p> <p>Determined by the stable/dependable income of the <b>borrowers only</b>. Borrower must generally have a two (2) year history of receiving the income and there must be a reasonable expectation of continued receipt for three (3) years.</p> <p>Time in school may be counted toward the 2-year history of receipt if the borrower recently completed college, technical school, or a career-based certificate from high school (e.g. health, public safety careers) A standard high school diploma is not eligible for this exception Documentation to verify receipt and continuance as required by USDA is required.</p> <p>Repayment income is the qualifying income and is used to calculate DTI.</p> <ul style="list-style-type: none"> <li>• <b>Eligible</b> income for repayment income calculations: <ul style="list-style-type: none"> <li>- Salary, wages</li> <li>- Bonus, commission, overtime, is eligible with a 1-year history of receipt and may be presumed to continue unless evidences indicates it will not. If significant variances are evident (increase or decrease) of 20% or greater in the previous 12 months requires documentation to explain variance to consider the income as stable.</li> <li>- Part-time, second job or seasonal income is eligible if borrower has been employed in the position uninterrupted for the prior 1-year and may be presumed to continue unless evidence indicates it will not</li> <li>- Income derived from self-employment (refer to the <a href="#">Employment</a> topic for details)</li> <li>- Tax exempt income may be grossed up 25%</li> <li>- Military income including housing/clothing allowance, flight and hazard pay</li> <li>- Retirement and social security income</li> <li>- Alimony, child support or maintenance income</li> <li>- Interest and dividends</li> <li>- VA benefits</li> <li>- Net rental income that has been received <math>\geq</math> 24 months and can be documented with 2 years most recent tax returns, including Schedule E, and a copy of the current signed lease agreement. A two (2) year average of depreciation and depletion may be added back to the net income shown on Schedule E less any monetary obligations associated with the property not captured in Schedule E (i.e. monthly principal payment)</li> <li>- Automobile allowance or expense account payments that exceed the actual expenditures. IRS Form 2106 for the previous 2 years must be provided</li> <li>- Trust income,</li> <li>- Tip income,</li> <li>- Section 8 Homeownership assistance payments. If the subsidy is paid directly to the borrower it may be grossed up 125%</li> </ul> </li> </ul>
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## USDA Program Guidelines Streamlined Refinance

<b>Income (cont.)</b>	<ul style="list-style-type: none"> <li>• <b>Ineligible</b> income for repayment income calculations: <ul style="list-style-type: none"> <li>- Income from household members who are not borrowers,</li> <li>- Projected income (cost of living adjustments, performance raises, bonuses that are by verified by the employer <b>that will begin within 60 days of loan closing are eligible</b>)</li> <li>- Financial aid received by a student for tuition, fees, books, etc.</li> <li>- Money received for reimbursement of the cost of medical expenses/costs,</li> <li>- Temporary, nonrecurring or sporadic income,</li> <li>- Gifts,</li> <li>- Payment received for foster children or adults</li> <li>- Supplemental Nutrition Assistance program (SNAP) payments</li> <li>- Lump sum payments (e.g. inheritances, capital gains, settlements, social security benefits received in a lump sum, etc.)</li> </ul> </li> </ul>
<b>Income Documentation</b>	<p>Income must be documented for the previous 2 years for all adult household members.</p> <p><b>Salaried Borrowers</b></p> <ul style="list-style-type: none"> <li>• Current paystubs for previous 30 days with YTD income</li> <li>• W-2s for prior 2 years</li> </ul> <p><b>Self-Employed Borrowers</b></p> <ul style="list-style-type: none"> <li>• 2 years signed tax returns including all schedules</li> <li>• YTD P&amp;L (audited or unaudited) with balance sheet</li> <li>• YTD Income &amp; Expense statement</li> </ul>
<b>Inspections</b>	Not required
<b>Liabilities</b>	<p>Debts with 10 months or more payments remaining must be included to ensure accurate debt ratio.</p> <p><b>401K Loans</b> Not counted in debt ratios.</p> <p><b>Alimony/Child Support/Garnishments</b> Not required to be included in the debt ratio if 10 months or less remaining</p> <p><b>Installment Debt</b> Not required to be included in the debt ratio if 10 months or less remaining as reported on the credit report used for underwriting. Installment debt may be paid down to less than 10 months to exclude from the DTI, unless the payment will have significant impact on the borrower's ability to repay the debt. USDA defines a "significant impact" as the payment is <math>\geq</math> 5% of the borrower's gross monthly income.</p> <p><b>Revolving Debt</b></p> <ul style="list-style-type: none"> <li>• Revolving debt must be included if there is a balance indicated on the credit report. If the monthly payment is not included in the credit report the underwriter will calculate the payment using the greater of \$10.00 or 5% of the outstanding balance as reported on the credit report.</li> <li>• If the actual dollar amount is documented by the creditor or a current monthly statement, that amount may be used for qualifying.</li> <li>• Revolving accounts with no outstanding balance do <b>not</b> require an estimated/projected payment be included in the debt ratio or to be closed to exclude a payment</li> </ul>

## USDA Program Guidelines Streamlined Refinance

<b>Liabilities (cont.)</b>	<p><b>30-Day Accounts</b> 30-Day accounts that are paid in full every month for the previous 12 months are not included in the DTI calculation. If the credit report indicates <b>any</b> late payments in the last 12 months the payment must be included in the DTI. Calculate as 5% of the outstanding balance as stated on the credit report</p> <p><b>Student Loans</b> Student loan payments are included in the DTI as follows:</p> <ul style="list-style-type: none"> <li>• <b>Fixed Payment</b> – If the borrower has a documented fixed rate, fixed payment and the repayment term is fixed the documented amortized fixed payment amount is used</li> <li>• <b>Non-Fixed Payment</b> – includes Income Based Repayment (IBR), graduated, adjustable, interest only and deferred payments, the <b>higher</b> of the following is used: <ul style="list-style-type: none"> <li>- .50% of the loan balance, <b>OR</b></li> <li>- The actual payment reflected on the credit report</li> </ul> </li> </ul> <p>NOTE: No additional documentation is required</p> <p><b>Balloon/Deferred Debt Including Personal Loans</b> (does <b>not</b> include student loans) If the payment will begin within 24 months of loan closing it must be included in the borrower's DTI. If the actual payment is not known, 5% of the outstanding balance will be used to calculate payment amount.</p> <p><b>Automobile Allowances/Expense Account Payments</b> The amount of expenses that exceed the allowance must be included in the borrower's DTI. The borrower's monthly car payment must be treated as recurring debt <b>regardless</b> of any car allowance received</p> <p><b>Short-Term Obligations</b> Short term obligations (e.g. medical bills, car, or credit payments, etc.) that have a significant impact on the repayment ability (payment is 5% or greater of the borrower's gross monthly income) must be included in the borrower's DTI calculation</p>
<b>Loan Amount</b>	<ul style="list-style-type: none"> <li>• Maximum loan amount cannot exceed the original loan amount at the time of purchase on the loan being refinanced. The new loan may include: <ul style="list-style-type: none"> <li>- The principal balance of the loan being refinanced,</li> <li>- Current accrued interest, a reasonable customary conveyance fee, and</li> <li>- The guarantee fee up to the original loan amount.</li> </ul> </li> </ul> <p>NOTE: The guarantee fee <b>may be</b> financed above the original purchase price.</p> <ul style="list-style-type: none"> <li>• <b>Delinquent interest, closing costs, lender fees and funds to establish an escrow/impound account cannot be financed into the new loan amount on the Streamlined option.</b></li> <li>• If the borrower received subsidy payments on the existing loan the subsidy recapture due must be paid from separate funds or subordinate to the new loan; subsidy recapture payment <b>cannot</b> be included in the new loan amount.</li> </ul>
<b>Manual Underwrite</b>	<p>Loans that receive a "Refer" or "Refer with Caution" from GUS require a downgrade to manual underwriting. Manually underwritten loans require specific documentation for the underwriter to justify an approval.</p> <p><b>Indicators of Unacceptable Credit</b> USDA considers the following as "indicators" of unacceptable credit:</p> <ul style="list-style-type: none"> <li>• <b>Foreclosure/pre-foreclosure/short sale</b> in the previous 3 years.</li> <li>• <b>Chapter 7 Bankruptcy</b> in the previous 3 years</li> <li>• <b>Chapter 13 Bankruptcy – In Repayment or Completed in &lt; 12 Months</b></li> <li>• <b>Mortgage/Rental Late Payment:</b> 1x30 in the previous 12 months of any mortgage or rental payment</li> </ul> <p>Refer to the <a href="#">Derogatory Credit – Manual Underwrite</a> topic for requirements and eligibility when any of the above apply and additional requirements for derogatory credit events when a manual underwrite is required.</p>

**USDA Program Guidelines**  
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<p><b>Mortgage History/Seasoning</b></p>	<ul style="list-style-type: none"> <li>The existing mortgage must have closed 12 months prior to application date for the new loan, <b>and</b></li> <li>0x30 payment history in the most recent 6 months prior to Homebridge request for the Conditional Commitment is required</li> </ul> <p><b>Forbearance Plan Policy</b></p> <p>The policy below applies to the subject property and to any other real estate mortgage loan where the borrower is in a forbearance plan,</p> <p><b><u>Subject Property Lien (Loan being Refinanced) and is Current</u></b></p> <ul style="list-style-type: none"> <li>If the borrower is current <b>and</b> has not missed a payment, the loan is <b>eligible</b></li> </ul> <p><b><u>Other REO OR Subordinating Second Lien and is Current</u></b></p> <ul style="list-style-type: none"> <li>The loan is eligible if the borrower is current <b>and</b> has never missed a payment, <b>and</b></li> <li>Written evidence, <b>provided directly from the servicer</b>, confirming the forbearance plan has been withdrawn, closed or cancelled prior to the closing of the new subject loan required.</li> </ul> <p>NOTE: Documentation must be obtained for loans in a forbearance plan <b>and</b> for loans where borrower inquired about forbearance and the servicer flags the inquiry</p> <p><b><u>Subject Property AND/OR Other REO NOT Current/Missed Payment</u></b></p> <ul style="list-style-type: none"> <li>The loan is <b>ineligible</b></li> </ul>
<p><b>Occupancy</b></p>	<p>Owner-occupied 1-unit primary residence</p>
<p><b>Other Real Estate Owned</b></p>	<ul style="list-style-type: none"> <li>Borrower may own one additional property.</li> <li>Borrower must be financially qualified to own more than one property and must qualify including both mortgages</li> <li>Rental income that has been received <math>\geq 24</math> months and can be documented with 2 years most recent tax returns, including Schedule E, and a copy of the current signed lease agreement</li> </ul>

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<b>Power of Attorney</b>	<p>A durable Power of Attorney (POA) is allowed on a case-by-case basis subject to all of the following:</p> <ul style="list-style-type: none"> <li>Must be specific to the transaction</li> <li>Must include the borrower name, property address and loan amount</li> <li>The POA must be fully executed and notarized</li> <li>A letter of explanation required from the borrower to document reason for using a POA</li> <li>The POA must meet all applicable state laws</li> <li>Homebridge to review and approve prior to loan closing</li> <li>The POA must be recorded along with the mortgage</li> <li>Additionally, the following applies for military personnel and incapacitated borrowers:</li> </ul>						
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #00AEEF; color: white; padding: 5px;">Eligible Individuals for POA</th> <th style="background-color: #00AEEF; color: white; padding: 5px;">Requirements</th> </tr> </thead> <tbody> <tr> <td style="padding: 5px;"> <p><b>Military Personnel</b> (POA eligible for initial <b>or</b> final application but <b>not</b> both)</p> </td> <td style="padding: 5px;"> <p>A POA only allowed for <b>one application</b> (initial or final), but <b>not</b> both when the following applies:</p> <ul style="list-style-type: none"> <li>The service member is on overseas duty or on an unaccompanied tour, <b>and</b></li> <li>The service member's signature cannot be obtained on the application by mail or fax, <b>and</b></li> <li>The POA is a durable POA that provides the attorney-in-fact specific authority to obligate the borrower on a mortgage</li> </ul> </td> </tr> <tr> <td style="padding: 5px;"> <p><b>Incapacitated Borrower</b> (POA eligible for both initial <b>and</b> final)</p> </td> <td style="padding: 5px;"> <ul style="list-style-type: none"> <li>The borrower is incapacitated and unable to sign the mortgage application, <b>and</b></li> <li>The borrower will occupy the property, <b>and</b></li> <li>The POA is a durable POA that gives the attorney-in-fact the authority to encumber the property and to obligate the borrower on the mortgage.</li> </ul> </td> </tr> </tbody> </table>	Eligible Individuals for POA	Requirements	<p><b>Military Personnel</b> (POA eligible for initial <b>or</b> final application but <b>not</b> both)</p>	<p>A POA only allowed for <b>one application</b> (initial or final), but <b>not</b> both when the following applies:</p> <ul style="list-style-type: none"> <li>The service member is on overseas duty or on an unaccompanied tour, <b>and</b></li> <li>The service member's signature cannot be obtained on the application by mail or fax, <b>and</b></li> <li>The POA is a durable POA that provides the attorney-in-fact specific authority to obligate the borrower on a mortgage</li> </ul>	<p><b>Incapacitated Borrower</b> (POA eligible for both initial <b>and</b> final)</p>	<ul style="list-style-type: none"> <li>The borrower is incapacitated and unable to sign the mortgage application, <b>and</b></li> <li>The borrower will occupy the property, <b>and</b></li> <li>The POA is a durable POA that gives the attorney-in-fact the authority to encumber the property and to obligate the borrower on the mortgage.</li> </ul>
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<b>Prepayment Penalty</b>	Not permitted						
<b>Products</b>	30 year fixed rate						
<b>Reserves</b>	Not required						

## USDA Program Guidelines Streamlined Refinance

<b>Streamlined Refinance General Requirements</b>	<p><b>Streamlined Refinance</b></p> <ul style="list-style-type: none"> <li>• The interest rate of the new loan must not exceed the interest rate of the existing loan that is being refinanced.</li> <li>• A tri-merged credit report is required</li> <li>• Maximum loan amount; refer to the <a href="#">Loan Amount</a> topic for detailed information on what can and cannot be included in the new loan amount.</li> <li>• Subordinate financing cannot be included in the new loan amount. Any existing secondary financing must subordinate to the new first lien.</li> <li>• Borrowers may receive reimbursement from loan proceeds at settlement for personal funds advanced for loan purposes (e.g. credit report, etc.) Borrower may not receive any cash back resulting from final escrow or interest calculations; the excess funds must be applied as a principal reduction.</li> <li>• Continuity of obligation requires that at least one of the borrowers on the refinance transaction is currently on the title of the property being refinanced.</li> <li>• Rural Development loan being refinanced must be a Guaranteed loan.</li> <li>• Properties that are now outside of a rural area as previously defined by Rural Development are eligible.</li> <li>• Income eligibility must be met.</li> <li>• Property must remain primary residence.</li> <li>• Properties now located in a flood zone with require flood insurance (elevation certificate not eligible).</li> <li>• Properties that were listed for sale in the previous 12 months must be taken off the market prior to the application date.</li> </ul>
<b>Subordinate Financing</b>	No new subordinate financing. Existing subordinate financing cannot be included in the new loan amount. Any existing subordinate financing must subordinate to the new first lien.
<b>Temporary Buydowns</b>	Not allowed
<b>Transactions – Ineligible</b>	<ul style="list-style-type: none"> <li>• Cash-out</li> <li>• Refinance of a USDA Section 502 Direct Loan</li> <li>• Refinance of any loan that is not a current Rural Development loan</li> </ul>
<b>USDA Forms and Links</b>	<p>USDA Rural Development forms are available at: <a href="http://Reginfo.gov">Reginfo.gov</a> ; select the applicable form.</p> <ul style="list-style-type: none"> <li>• <b>Request for Single Family Housing Loan Guarantee</b> (RD Form 3555-21) – used to request a loan guarantee from Rural Development. Must be completed at time of origination and signed by the borrower(s)</li> <li>• <b>Conditional Commitment for Single Family Housing Loan Guarantee</b> (RD Form 3555 -18) – issued by Rural Development to indicate the loan appears to be eligible for a GRH loan.</li> </ul>